

The future of accounting and the accounting profession

Introduction

The European Audit Committee Leadership Network held its seventh meeting in Wiesbaden, Germany on 6 October 2006. For part of the meeting, network members met with the leaders of the Big Four accounting firms. The discussion covered:

- **The future of accounting, including the status of IFRS and convergence of global accounting standards**
- **The future of the accounting profession, from the personal relationship with audit chairs to the global consistency of audit quality**

Members also discussed audit committee charters and agendas.¹ The members of the network participating in the meeting sit on the boards of about 75 large, mid and small cap public companies. For further information about the network, see "About this document" on page 10.

Members attending the meeting included:

- Mr Per-Olof Eriksson, Audit Committee Chair, Volvo
- Prof Guido Ferrarini, Audit Committee Chair, Telecom Italia
- Sir Anthony Greener, former Audit Committee Chair, BT
- Mr Phil Hodgkinson, Audit Committee Chair, BT
- Dr DeAnne Julius, Audit Committee Chair, Roche Holdings
- Mr Daniel Lebègue, Audit Committee Chair, Alcatel
- Mr Tom McGrath, Managing Partner, NEMIA Client Service and Accounts, Ernst & Young
- Mr Christian Mouillon, Global Vice Chair, Assurance and Advisory Business, Ernst & Young
- Mr Anders Nyrén, Audit Committee Chair, Skanska and Sandvik
- Sir Ian Prosser, Audit Committee Chair, BP
- Mr Pierre Rodocanachi, Audit Committee Member, Vivendi
- Dr Klaus Schlede, Audit Committee Chair, Lufthansa and Deutsche Telekom
- Mr Gerhard Schulmeyer, Audit Committee Chair, Zurich Financial Services

Representatives of the Big Four accounting firms included:

- Mr Sam DiPiazza, Global CEO, PricewaterhouseCoopers
- Mr Piet Hoogendoorn, Chairman of the Board, Deloitte Touche Tohmatsu
- Mr Mike Rake, International Chairman, KPMG
- Mr Jim Turley, Global Chairman and CEO, Ernst & Young

ViewPoints reflects the network's use of a modified version of the Chatham House Rule whereby names of members and guests and their company or firm affiliations are a matter of public record, but comments made during the meetings are not attributed to individuals, corporations or firms.

¹ See European Audit Committee Leadership Network: "Audit committee charters and agendas", *ViewPoints* 10, 14 November 2006. Available at: http://www.tapetrynetworks.com/documents/Tapestry_EY_Euro_ACLN_Nov06_View10.pdf

Executive summary

The accounting profession is in a state of transition. It has moved from self-regulation to oversight by independent regulators and reporting to senior management has, for the most part, been replaced by reporting to the independent audit committee of the board of directors. At the same time, accounting in Europe has moved from multiple national GAAPs to IFRS and there is further convergence to come, not least with US GAAP. The issues arising from these changes affect the accounting firms, their clients and the wider investing public.

For that reason, members of the European Audit Committee Leadership Network and the global leaders of the Big Four accounting firms took the opportunity to meet and begin a candid dialogue on the future of accounting and the accounting profession. The specific issues that participants in the dialogue found to be most important are highlighted below, with detailed discussion on the following pages.

The future of accounting

- **Interpreting IFRS – a role for the Big Four?** *(Page 3)*

Participants discussed the continuing relevance of the financial reporting system and how to avoid the creation of a well-controlled, well-regulated but ultimately meaningless approach to reporting. The Big Four firms' leaders revealed that regulators are holding them responsible for consistent execution of IFRS and the firms are investing money, people and partner time in trying to get consistency. Members were sceptical about the possibility of achieving convergence between IFRS and US GAAP but firm leaders urged them not to give up on that objective.

- **Avoiding the US capital markets – a viable strategy?** *(Page 5)*

While convergence of accounting standards remains controversial with members, there is also concern that the US is becoming a more inhospitable place for European companies to seek capital because of its “*regulatory mindset*” and legal system. One audit chair recommended that better consistency of IFRS in Europe and increased delisting from the US exchanges would pressure US regulators to respond.

The future of the accounting profession

- **The relationship with the audit chair** *(Page 6)*

The Big Four leaders recognise the importance of their relationship with audit chairs and felt the relationship had become more constructive than at any time in history. However, partners are under pressure from increased liability and second-guessing by regulators. In reply, audit chairs said it would be helpful if the lead audit partner shared the stresses they are under in order to better understand the challenges the accounting firms are facing.

- **The relationship between lead audit partner and head office** *(Page 7)*

Members are concerned that the process by which their lead audit partner consults with “head office” in the US on accounting policy is too slow. Following an explanation of the process, members recommended the lead audit partner take time to explain the process to audit chairs.

- **Consistent global service and audit quality** (Page 8)

The Big Four leaders nominated delivering consistent high quality global service as one of their key challenges, and mentioned how the relationship between the audit committee and the lead audit partner is a vital and visible contributor to global audit quality. For the top professional challenges facing the accounting firm leaders, see box below.

- **The sustainability of the profession** (Page 8)

Members agreed that while a Big Five or Six would be desirable, they do not want to end up with a Big Three which would quickly become a “Big Zero”. Members and firm leaders raised various ideas for helping to ease the problem of accounting firm sustainability including support from accounting firm regulators and liability and tort reform. For more ideas raised by members and firm leaders about accounting firm sustainability, see boxes on pages 9-10.

The future of accounting

Identified as one of the greatest challenges facing the accounting profession (see box below), members and the leaders of the Big Four accounting firms discussed the continuing relevance of the financial reporting system and how to avoid the creation of a well-controlled, well-regulated but ultimately meaningless approach to reporting.

One Big Four leader said: *“The profession is linked to quarterly accounts and annual accounts that come out two months after the end of the year. That is not what investors want. They want real-time information and forward looking statements. The financial reporting model will change due to technology. In real-time reporting the strength of internal controls is amplified”.*

Accounting firm leaders’ top professional challenges

- **Attracting and retaining top talent.** *“Quality is so important [that] we need the best people for the future.” “We need people to stay for their whole career: bring capability; stand up to management; work with audit committee chairs; and work consistently globally”.*
- **Delivering consistent high quality global service.** *“We need to be the same in 140 countries with different cultures, regulations and standards. We can bridge national cultures and build global culture, values and codes of conduct”.*
- **Maintaining relevance of and the trust in capital markets.** *“Beyond [managing] expectations, concentration and liability [reform], we have to keep what we do understandable and meaningful, [rather than] complex, rules-based and excluding judgement. We have to [understand how] the capital markets rely on financial reporting”.*

Interpreting IFRS – a role for the Big Four?

As of 1 January 2005, IFRS became the officially mandated financial reporting standard for public companies in all Member States of the EU. Other European countries outside the EU, such as

Switzerland, have also adopted IFRS, although Switzerland also allows the use of US GAAP.² At the close of 2005, compliance varied by Member State.

The US Securities and Exchange Commission (SEC) is actively trying to understand both the particulars of IFRS, and the consistency with which it is accepted by EU Member States. SEC resources and staffing were increased in 2005 to study the matter, and a roadmap was laid out to eliminate reconciliation requirements for IFRS users by 2009. The SEC will be comparing IFRS and US GAAP sector-by-sector in 2006 in the hope of eliminating the need to reconcile IFRS and US GAAP.

Last year Ernst & Young published a book comparing IFRS/US GAAP and defined the difference between convergence and equivalence: “Convergence should not be confused with equivalence. Convergence is the long-term goal of a single set of globally accepted standards. Equivalence is the short-term imperative that implies broad comparability, not uniformity, and the acceptance by national regulators of different systems without the need for reconciliation”.³

In February 2006, members met with EU Commissioner McCreevy in Brussels. *ViewPoints* reported: “Mr McCreevy said: ‘If people can compare like with like over time that’s all that matters with IFRS. The difficulty will be with rules-based and principles-based [accounting standards]. Are they irreconcilable?’. One member responded: ‘We should be talking about equivalence rather than convergence. Convergence between a principles-based and a rules-based system is difficult to think about how it will work practically’.”⁴

The pace of convergence and equivalence was a subject of discussion with the Big Four accounting firm leaders. One firm leader pointed out that: “*No regulator has the global span to look at interpretation*”. Instead, “[*Our regulators are*] holding the Big Four firms responsible for consistent execution of IFRS in over 100 countries where it is being implemented. The SEC has said it will evaluate the firms on how IFRS is applied. We are investing money, people and partner time in trying to get consistency. You can’t have French or Dutch IFRS... and you can’t have a PwC or EY IFRS”.

However, this approach is problematic. Another Big Four leader commented: “*Principles give rise to judgements and different interpretation. The SEC doesn’t understand what principles are. Business wants judgement in ‘good faith’, within a framework. We are a long way from that being a reality*”.

One member urged immediate action: “*Technical experts [in the US regulatory bodies], involved at a low level, will force us to end up in a rules-based environment [regardless of what] we want. Other technical experts are working on IFRS and rules are being developed that will lead to complexity and make it harder to get convergence*”. Another audit chair said: “*Convergence ... is a bigger fight that can’t be won. The US is so rules-based, any change is wishful thinking. We should focus on IFRS alignment in Europe and [make] room for principles-based judgement. That may be a better fight... If we can’t agree on [audit committee charters], we should not be surprised the world is the way it is. There is no point in academic discussions on big issues when we can’t even take small steps*”.⁵

² The Swiss Stock Exchange announced that, with effect from 2005, it would allow listed companies to use only IFRS or US GAAP. See announcement at: www.iasplus.com/iasplus/iasp03inreview.pdf

³ For further information see http://www.ey.com/global/Content.nsf/UK/Media_-_05_06_23_DC_-_Convergence_of_US

⁴ European Audit Committee Leadership Network, IFRS, shareholder rights: a dialogue with Commissioner McCreevy”, *ViewPoints* 7, 15 March 2006, page 6. Available at: http://www.tapestrynetworks.com/documents/Tapestry_EY_Euro_ACLN_Mar06_View.pdf

⁵ For further information on convergence see http://www.tapestrynetworks.com/documents/Tapestry_EY_Euro_ACLN_Mar06_View.pdf

However, one Big Four leader responded that the implementation of IFRS was a big step in itself: *“A few years ago there were 100 accounting systems. The first step is equivalence. The drive to greater equivalence creates convergence. It may take 10-15 years for convergence on a principles-based system. We don’t want to give up the convergence objective. Investors tell us they’d like to see one set of accounting standards”*. Another Big Four leader agreed: *“We can’t give up now when we have IFRS adopted in Europe. We have global capital flows; we won’t get a global legal system but we could [at least] have a set of global accounting protocols that work”*.

Avoiding the US capital markets – a viable strategy?

While convergence of accounting standards with the US remains an objective for some and a pipe dream for others, there is also concern that the US is becoming a more inhospitable place for European companies to seek capital. One Big Four leader pointed out: *“There is a groundswell of concern in the US about [companies] delisting”*.

One Big Four leader explained: *“There is now a de facto global regulator [in the SEC]”*. Another suggested: *“What we are not doing is working with the SEC on mindset issues”*. Originally, the European corporate debate about delisting from the NYSE *“was about a rule, Section 404, now it’s about a regulatory mindset... What we have seen is regulatory one-upmanship [in the US]. Each regulator is trying to be tougher than the other”*.

It is not just the mindset that is the issue according to another Big Four leader: *“It is about the legal system, insurance underwriting fees, [director] liability and excessive [stock] exchange regulation. Our view is we have to do a better job on [implementing Section] 404 but the real issue is a better legal system and better regulation”*.

One audit chair said: *“If you can get better [consistency] of IFRS in Europe and more delisting, the SEC will respond because that is how the US works. Don’t waste time on alignment with the US. We need to do our own work first to show that IFRS is reliable. The capital flows will be into the IFRS world”*. Another member warned that delisting is only one possible answer and that it is likely that public companies will also be *“taken off the exchanges by private equity and that will only continue”*.

The future of the accounting profession

The fragility of the Big Four system of auditing large, global public companies was a constant theme of the discussion, although in the words of one Big Four leader: *“The accounting profession has embraced reform... [after] the [high-profile] corporate scandals”*.

The discussion began with the personal and quickly moved to the political, covering these topics:

1. The relationship with the audit chair
2. The relationship between lead audit partner and head office
3. Consistent global service and audit quality
4. The sustainability of the profession

1. The relationship with the audit chair

The EU's 8th Directive makes the audit committee responsible for assisting in the nomination process for auditor selection and subsequent appointment at the general meeting. Auditors will be required to report to the audit committee on any matters of importance and, in particular, on any material weaknesses in internal controls. This heightens the importance of the audit committee by giving it a fiduciary duty to the rest of the board and to shareholders and investors.

For European SEC registrants, Sarbanes-Oxley also changed the fundamental relationships among auditors, management and audit committees. One Big Four leader explained how his firm defines the relationship for its people: *"You work with management but you work for the audit committee"*.

The Big Four leaders recognise the importance of their relationship with the audit chair: *"Our relationships have moved an enormous way in ten years and are more constructive than at any time in our history. There is active dialogue addressing the right issues. We have an intense obligation to audit committees and the audit committee chair is a huge part of the exercise. Of course, there are times when we have to disagree with management. Audit chairs enable that to happen"*.

Underscoring the importance of the relationship between the audit chair and the accounting firm, another Big Four leader pointed out: *"Being an audit committee chair is one of the most difficult jobs in the capital markets. Without a capable audit chair, we [accounting firms] don't have a chance"*.

However, the relationship should not be simply one of mutual support. One leader advised: *"Too often in the past, audit chairs simply asked the audit partner for answers to technical issues. You should challenge them to give you opinions and judgements on qualitative things, such as people issues, directional issues and where the risks are [in the company]... This is uncomfortable for some partners but we are pushing for this to happen"*.

An audit chair said he was looking for a *"no surprises approach"* and wants the lead audit partner to have the same conversations with the finance director and the audit chair. This requires a different skill set: *"We need good relationship skills and business advice, not just a technically competent accountant"*. Another audit chair added: *"It is so important that the lead audit partner has the right qualities... The person makes the difference and makes it work"*.

One accounting firm leader commented: *"When [the relationship] works, it's magic. The profession [may have] a problem getting the calibre of people to work with [audit chairs]. The problem is whether the 38 year old will stay around long enough to play that role... The pressures, the liability and the second-guessing are all negatives. It is good [that] they get paid well because they put up with a lot"*.

In reply, audit chairs said it would be very helpful to them if the lead audit partner shared the stresses they are under in order to better understand the challenges the accounting firms are facing. However, one audit chair said the company's internal auditor evaluates the external auditor and reviews the firm's stress, liabilities and financial strength as part of their evaluation.

Other issues that affect the relationship include:

- **IFRS interpretation.** One audit chair of an SEC registrant said: *"[Partners having to get] technical IFRS input has disrupted the relationship"* because the lead audit partner *"had to leave the ... conversation to get an answer from the US"*.

- **Partner rotation.** Most of the countries represented by network members currently require audit partner rotation, but none require firm rotation apart from Italy. One Big Four representative said: *“Partner rotation every five years means facing a new face just as the relationship is developing. The audit chair needs to be engaged reasonably early in the succession conversation. We identify the person 15-18 months in advance of the changeover”*. Another firm leader revealed that audit chairs may prefer the accounting firm to make the choice about the lead audit partner but want to hear from the firm’s CEO that the firm is *“confident we have the right person”*.
- **Impact of forensic accounting.** One firm leader warned that the relationship with management and the audit committee could suffer if forensic accounting had to become a larger part of the audit programme, aimed at fraud prevention: *“Forensic accountants are taught not to trust until proved otherwise”*.

One Big Four leader said: *“I ... observe that in each country around the globe, audit committees are more focused and the dialogue has been enhanced. That is not understood by the regulators. Investor groups also need to [understand] the changes in audit committees”*.

2. The relationship between lead audit partner and head office

Members are concerned about the process by which their lead audit partner consults with “head office” in the US on accounting policy. One member questioned why it takes so long to get an answer and why, when the answer comes back, it is couched in rules-based language. One Big Four leader said: *“That is the disadvantage of a strong regulator in the US. There is now a de facto global regulator [in the SEC] that prepares judgements that define its own interpretation under IFRS... You will see that impact. Partners struggle with it and they try not to create [a poor] impression [around their need to consult with head office]”*.

Another Big Four leader recognised the frustration felt by audit chairs: *“Clients feel it has got worse. It is a liability issue for the firms and the partner feels everyone is on his back. This has led to a strict application of the requirement to consult. How do we do it as quickly as possible? We have to be efficient on the speed and pragmatism of it”*.

One leader explained the process: *“We all empower the engagement partner, but the engagement partner owns whether to consult. Once he or she consults with a subject matter expert [(SME)], on balance he or she is bound to follow the advice of that SME. The difference between the Big Four now and Arthur Andersen at the time of Enron, is that the SMEs gave advice that was not [always] followed”*.

An audit chair responded: *“We need to understand the process. Have the lead audit partner explain the process and what the SME said. The lead audit partner needs to be encouraged to give more insight into the process”*. A firm leader concurred: *“If I were audit committee chair, I’d ask the audit partner on what items he consulted”*. Another audit chair recommended getting the issues on the table as early as possible so there is time to do the consultation. *“The audit committee chair needs to manage the time well to enable consultation to happen”*.

3. Consistent global service and audit quality

The Big Four leaders nominated delivering consistent high quality global service as one of their key challenges (see box on page 3). One Big Four leader commented: *“The big issue is not a small mistake but a major crisis in [somewhere like] Chile or South Africa”*.

Another Big Four leader observed: *“Things work well when the clients’ and regulators’ expectations and the firms’ ability to deliver are aligned ... A decade ago you could have alignment on a national basis in Europe. Today you have to have alignment of clients, profession and regulators globally”*.

One audit chair was interested in whether the profession’s improved relationships with audit committees were a global phenomenon. One Big Four leader responded: *“It varies enormously, some countries don’t respect audit committees in the same way, and they are not as important or as independent”*.

Another leader agreed, saying there was a distinction between domestic companies and the operations of European countries in emerging markets. On the latter: *“You should feel confident that the relationship you have with your lead audit partner flows to all our teams around the world. If our teams are being pressured by country management, our teams know they are responsible to the audit committee”*. Conversely, another leader pointed out that a weak audit committee makes it hard to do a good audit and adversely affects the risk of the auditor and whether they would re-accept the client in the future.

Members were also interested in the accounting firm’s view of the French approach to auditing. While acknowledging its additional cost, the French Financial Securities Act retained the system of dual auditors which is designed to ensure auditor independence. The Big Four leaders do not agree with the system. One said: *“We don’t agree with it. It creates gaps and inconsistencies. It runs in the face of having [one firm being] responsible for the whole answer. It is not best practice”*.

4. The sustainability of the profession

Members stated their desire to see more entrants into the market for global public company audits. One Big Four leader responded: *“Debating concentration is like debating religion: I’m not sure what the solution is. We are doing what we can to support the second tier firms who have less capability to deal with the risk. Firms five to 105 are only half as big as firm four. Building another organisation of 100,000 people worldwide is hard to do”*.

Another firm leader said that the concentration of accounting firms that can undertake global public company audits did not necessarily mean a lack of competition but: *“If you want choice ... we need to ensure we don’t lose anyone by mistake”*. Members agreed that while a Big Five or Six would be desirable, the key was not to end up with a Big Three which would inevitably mean a *“Big Zero”*. *“That would be a disaster for most of us”* said one audit chair, although another audit chair cautioned that the damage would be limited: *“The financial system won’t fail”*.

One Big Four leader described the “run on the bank” scenario that could lead from a Big Three to a Big Zero if one of the firms is lost: *“If partners in the three remaining firms see that 40% of [what was] the Big Five has now gone out of business and partners have lost capital, they’d be mad to stay in business. There will be a flight of people from the firms. Three [firms] would go to zero”*. An audit

chair then commented: *“I assume you would stop doing auditing but not other work.”* The leader replied: *“We might stop public company auditing or auditing of SEC registrants”.*

Members believe that a healthy and sustainable auditing profession is crucial to the proper functioning of capital markets. The demise of any global audit network would have serious consequences for their companies. One Big Four leader admitted: *“We have big sustainability issues. The London Economics Report⁶ shows the torpedoes in the water. It is easy to file a multi-billion [euro] lawsuit against us. If one hits, even if overturned on appeal, we couldn’t post the bond”.*

Another leader said: *“The problem is particularly troublesome when the client disappears. We get into trouble when no company is there. We are seen as the only people with money available”.* A third firm leader lamented the position of the accounting firms: *“In a capitalist system, companies will go bust. That doesn’t mean anyone is a criminal or should get sued”.*

In May last year, *ViewPoints* reported members’ views that “if one of the audit firms were threatened by a catastrophic event: ‘the major clients of the firm should go to the regulators to ask what they will do and how we can help’”.⁷ Members and firm leaders raised various ideas for helping to ease the problem of accounting firm sustainability (see box below and overleaf).

Regardless of whether the solutions are implemented, audit quality will clearly remain at the forefront of sustainability. One Big Four leader said: *“The best thing we can do is do our jobs well. The regulators are focused on this. The concentration debate focuses on choice and sustainability. If we focus on quality audits we will get through this”.*

Members and firm leaders raised various ideas about accounting firm sustainability:

- **Support from accounting firm regulators.** One firm leader commented: *“The regulators are looking at the issues and trying to help us to survive”.*
- **Reduce risk.** A firm leader said: *“We have already withdrawn from small cap company auditing and transferred more of that risk to the smaller accounting firms we are trying to help grow. We’ve withdrawn from entire industry segments. Is that good for the capital markets?”*
- **Transfer risk through insurance.** One firm leader said: *“Different firms take different views on self-insurance versus reinsurance. [We] rely on a captive insurance company. Partners today fund the future insurance claims. We insure the world’s capital markets yet our only capital is six months foregone revenues. We need to create an environment where the second-tier firms could get into the market but the legal system and independence rules get stricter and more difficult”.*
- **Review accounting firm structure.** One leader revealed: *“We are looking at different ways to protect ourselves. Parmalat led to a decision: do we operate as all independent entities, even to the partner level? That wouldn’t deliver on our promise to provide seamless service. We need to be tightly integrated together for higher quality and fewer train wrecks”.*

⁶ London Economics, Study on the Economic Impact of Auditors’ Liability Regimes, September 2006. Available at: <http://www.iasplus.com/europe/0610audit.pdf>

⁷ European Audit Committee Leadership Network, “The future of the audit committee in Europe”, *ViewPoints*, 8 May 2006. Available at: http://www.tapestrynetworks.com/documents/Tapestry_EY_Euro_ACLN_May05_View.pdf

Ideas about accounting firm sustainability continued:

- **Liability reform.** Methods to limit auditor liability are essential to a sustainable audit environment to attract potential new entrants to the public company audit market and to attract and retain talented professionals. One member said: *“Europe needs to put pressure on the US by passing liability reform”*. Several members who sit on the boards of UK companies mentioned the proportionate liability cap in place there. A firm leader pointed out: *“Proportionate liability is helpful but given the market caps of our clients, even 1% liability is a catastrophe [for the firm]”*. Big Four leaders also supported the use of *“Engagement letter terms on alternative dispute resolution to protect disputes between client and firm. However, even those agreements are looked at as wrong by some investors”*.
- **Tort reform.** One member asked about the number of class action suits in the US. A Big Four leader responded: *“The number of cases has gone down; the dollar amounts [of settlements] have gone up”*. Another firm leader said: *“We get this right 999 times out of 1,000 but cross-border litigation is a problem. If the US firm is sued for providing advice they will be more risk averse”*. One audit chair said: *“On the US legal system, one change would make a huge difference: if losers pay costs in a suit. That would deter frivolous cases”*.

Conclusion

Audit committee chairs and the accounting profession are mutually interdependent. Neither party can be successful without the other. The threat to the Big Four system of global public company auditing is acute whether from over zealous regulators, litigious plaintiffs or increasing risk in emerging markets. Yet many audit chairs feel they do not understand the realities faced by their auditors. Clearly the case has not been made as consistently and compellingly as it could be. Mutual interdependence requires a better dialogue between lead audit partners and audit chairs now. Later may be too late.

About this document

The European Audit Committee Leadership Network is a select group of audit committee chairs from leading European companies committed to improving the performance of audit committees and enhancing trust in financial markets. The network is convened by Ernst & Young and orchestrated by Tapestry Networks to access emerging best practices and share insights into issues that dominate the new audit environment.

ViewPoints is produced by Tapestry Networks to stimulate timely, substantive board discussions about the choices confronting audit committee members, management, their advisers and auditors, as they endeavour to fulfil their respective responsibilities to the investing public. *ViewPoints* is a synthesis of key issues arising from discussions among members of the European Audit Committee Leadership Network. The ultimate value of *ViewPoints* lies in its power to help all constituencies develop their own informed points of view on these important issues. Anyone who receives *ViewPoints* may share it with those in their own network. The more board members, management, advisers and auditors who become systematically engaged in this dialogue, the more value will be created for all.

The views expressed in this document represent those of the European Audit Committee Leadership Network and the individual accounting firm leaders. They do not reflect the views nor constitute the advice of network members, their companies, Ernst & Young, Deloitte & Touche, PricewaterhouseCoopers, KPMG, or Tapestry Networks. Please consult your advisers for specific advice. Ernst & Young refers to all members of the global Ernst & Young organisation.

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